

CITY OF ALTOONA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

June 30, 2014

CITY OF ALTOONA

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CITY OF ALTOONA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 1, 2014)		
J. M. Skip Conkling.....	Mayor.....	Jan 2016
Michelle Sloan.....	Mayor Pro-Tem.....	Jan 2014
Gerald Nolan.....	Council Member.....	Jan 2014
Kyle Merts.....	Council Member.....	Jan 2014
Mike Hermeyer.....	Council Member.....	Jan 2016
Dean O’Conner.....	Council Member.....	Jan 2016
Jeffery Mark.....	City Administrator.....	Jun 2014
Randy Pierce.....	Clerk/Finance Officer.....	Jan 2014
Robert Laden.....	Attorney.....	Jan 2014
(After January 1, 2014)		
J. M. Skip Conkling.....	Mayor.....	Jan 2016
Michelle Sloan.....	Mayor Pro-Tem.....	Jan 2018
Jeremy Boka.....	Council Member.....	Jan 2018
Mike Hermeyer.....	Council Member.....	Jan 2016
Dean O’Conner.....	Council Member.....	Jan 2016
Kyle Mertz.....	Council Member.....	Jan 2018
Jeffery Mark.....	City Administrator.....	Jun 2017
Randy Pierce.....	Clerk/Finance Officer.....	Jan 2015
Robert Laden.....	Attorney.....	Jan 2015

City of Altoona



MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Altoona, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Altoona as of June 30, 2014, and the respective changes in the cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Altoona's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the ten years ended June 30, 2013 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 13 and 42 through 44 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 7, 2014 on our consideration of the City of Altoona's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Altoona's internal control over financial reporting and compliance.

Martens & Company, CPA, LLP

West Des Moines, Iowa
November 7, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Altoona provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 25.2%, or approximately \$7,276,000 from fiscal year 2013 to fiscal year 2014. Tax increment financing collections increased approximately \$1,465,000 and bond proceeds decreased by approximately \$9,000,000.
- Disbursements of the City's governmental activities decreased 6.62%, or approximately \$1,787,000, from fiscal year 2013 to fiscal year 2014. Capital projects decreased approximately \$539,000. Debt service, including payments on refunded bonds, increased approximately \$178,000.
- The City's total cash basis net position decreased 12.1% or approximately \$3,609,000 from fiscal year 2013 to fiscal year 2014. Of this amount, the cash basis net position of the governmental activities decreased approximately \$3,028,000 and the cash basis net position of the business type activities decreased approximately \$582,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The Government-wide Financial Statements consist of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property taxes and grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and garbage and recycling collection. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The government fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains six Enterprise Funds to provide separate information for the water, water deposits, sewer, garbage, storm water and recycling funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliation between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities has decreased from a year ago, decreasing from approximately \$17.570 million to approximately \$14.542 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 1,214	\$ 1,121
Operating grants, contributions and restricted interest	1,706	1,667
Capital grants, contributions and restricted interest	27	115
General receipts:		
Property tax	15,311	14,124
Other City taxes	944	830
Grants and contributions not restricted to specific purposes	1,913	1,924
Unrestricted interest on investments	31	65
Bond proceeds	-	8,953
Other general receipts	459	82
Total receipts	<u>21,605</u>	<u>28,881</u>
Disbursements:		
Public safety	5,027	4,831
Public works	1,551	1,612
Health and social services	-	1
Culture and recreation	1,484	2,031
Community and economic development	3,435	4,430
General government	1,102	1,120
Debt service	8,192	12,404
Debt service on refunded bonds	4,390	-
Capital projects	43	582
Total disbursements	<u>25,224</u>	<u>27,011</u>
Change in cash balances	(3,619)	1,870
Transfers, net	<u>591</u>	<u>546</u>
Change in cash basis net position	(3,028)	2,416
Cash basis net position beginning of year	<u>17,570</u>	<u>15,154</u>
Cash basis net position end of year	<u>\$ 14,542</u>	<u>\$ 17,570</u>

The City's total receipts for governmental activities decreased by 25.2 percent or approximately \$7.276 million. The total cost of all programs and services decreased approximately \$1.787 million or 6.62 percent primarily due to a decrease in Capital Project payments. The decrease in receipts was primarily the result of no new bond issues.

Based on increases in the total assessed valuation, property tax receipts are budgeted to increase by an additional \$387,262 next year or 7.80%.

The cost of all governmental activities this year was \$20.834 million compared to \$27.011 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position - on pages 16 - 17, the amount that taxpayers ultimately financed for these activities was approximately \$17.886 million because some of the cost was paid by those directly benefitted from the programs (\$1.214 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1.734 million). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2014 from approximately \$2.903 million to approximately \$2.948 million principally due to an increase in capital grants. The City paid for the remaining public benefit portion of governmental activities with approximately \$15.311 million in tax (some of which could only be used for certain programs), and other receipts, such as interest, and general receipts.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 4,269	\$ 3,914
Sewer	3,938	3,706
Water deposits	51	56
Garbage	522	504
Recycling	159	154
Storm water	663	564
General receipts:		
Unrestricted interest on investments	4	7
Other general receipts	77	95
Total receipts	<u>9,683</u>	<u>9,000</u>
Disbursements:		
Water	4,222	6,195
Sewer	4,396	2,238
Garbage	496	477
Water deposits	53	43
Storm water	354	668
Recycling	<u>152</u>	<u>152</u>
Total disbursements	<u>9,673</u>	<u>9,773</u>
Change in cash basis net position before transfers	10	(773)
Transfers, net	<u>(591)</u>	<u>(546)</u>
Change in cash basis net position	(581)	(1,319)
Cash basis net position beginning of year	<u>12,321</u>	<u>13,640</u>
Cash basis net position end of year	<u>\$ 11,740</u>	<u>\$ 12,321</u>

Total business type activities receipts for the fiscal year were \$9.683 million compared to \$9 million last year. This increase was due primarily to the increase in charges for service. The cash balance decreased by approximately \$.581 million from the prior year. Total disbursements for the fiscal year decreased by approximately 1.0 percent to a total of \$9.673 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Altoona completed the year, its governmental funds reported a combined fund balance of \$14.609 million, a decrease of approximately \$3,030,000 below last year's total of \$17.638 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$393,000 from the prior year to \$3,840,000. This was primarily because property tax receipts increased by approximately \$47,000, hotel/motel tax increased \$113,000 and charges for service increased \$141,000.
- The Special Revenue, Road Use Tax Fund cash balance decreased by approximately \$69,000 to approximately \$53,000 during the fiscal year. This decrease was attributable to increased disbursements in street construction and repairs of \$60,000.
- The Special Revenue, Tax Increment Financing Fund increased by approximately \$583,000 to approximately \$4,914,000 during the fiscal year. The increase is primarily the result of an increase of approximately \$1,465,000 in TIF collections and a decrease of approximately \$1,737,000 in TIF economic development rebate payments.
- The Capital Projects Fund decreased approximately \$15,000 to approximately \$802,000, due primarily to the near completion of the recreation complex.
- The Debt Service Fund cash balance decreased by approximately \$3,910,000 to approximately \$4,931,000 during the fiscal year. The decrease was due to the payments on bond issues.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased by approximately \$51,000 to approximately \$5,334,000, due primarily to a decrease in debt service payments and an increase in capital projects.
- The Enterprise, Sewer Fund cash balance decreased by approximately \$920,000 to approximately \$5,500,000, due primarily to an increase in spending on capital projects.
- The Enterprise, Water Deposit Fund decreased approximately \$2,000 to approximately \$101,000.
- The Enterprise, Garbage Fund increased approximately \$26,000 to approximately \$180,000 due to an increase in charges for service.
- The Enterprise, Recycling Fund increased approximately \$8,000 to approximately \$53,000. This is due to the increased recycling fees.
- The Enterprise, Storm Water Utility Fund increased approximately \$257,000 to approximately \$491,000 due to a decrease in operating disbursements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its operating budget once. The amendment was approved on May 19, 2014 to provide for additional expenditures in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$415,927 more than budgeted. This was primarily due to the City receiving more in charges for services.

Total disbursements were \$8,496,646 less than the amended budget. This was primarily due to business type activities disbursements being less in the fiscal year than originally anticipated. Capital projects were also significantly less than in prior years.

DEBT ADMINISTRATION

At June 30, 2014, the City had \$89,195,000 in bonds and other long-term debt compared to \$97,506,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30	
	2014	2013
General obligation bonds	\$ 30,125	\$ 37,165
Revenue bonds	58,920	60,120
Fire truck capital lease	150	221
	<u>\$ 89,195</u>	<u>\$ 97,506</u>

The City's general obligation bond rating continues to carry an Aa3 rating, a rating that has been assigned by national rating agencies to the City's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$33.375 million plus the portion of developer rebate agreements of \$1.773 million that are subject to the debt limit are well below the City's \$58.707 million legal debt limit.

Debt continued to decrease with payments on existing bond issues exceeding new bond issue proceeds.

More detailed information about the City's long-term liabilities is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2015 fiscal year budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City's population growth since the 2000 census stands at 29%. Unemployment in the county now stands at 4.3 percent. This compares with the state unemployment rate of 4.3 percent.

The U.S. Consumer Price Index (CPI) is a measure of the changes in retail prices of a fixed market grouping of consumer goods and services. The CPI-U for July 2013 was 229.923. For the 12 month period that ended in July, 2014 the CPI-U increased 1.20 percent.

These indicators were taken into account when adopting the budget for 2015. Amounts available for appropriation in the budget are \$.65 million, an increase of 4.33 percent over the final 2014 budget. Property tax (benefitting from increases in levy) and proceeds from the tax increment financing revenue are expected to lead this increase. The City will use these to finance programs currently offered and to defray the costs of carrying out the City's continued economic development. Budgeted disbursements are expected to decrease by approximately \$6.3 million. A decrease in debt service represents the largest decrease.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$300,000 by the close of fiscal year 2015.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Randy Pierce, City Clerk/Finance Officer, 407 8th Street S.E., P.O. Box 338, Altoona, Iowa 50009.

City of Altoona

Basic Financial Statements

CITY OF ALTOONA

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

Functions/Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 5,026,976	\$ 1,038,451	\$ 68,461	\$ -
Public works	1,550,923	-	1,468,092	-
Health and social services	191	-	-	-
Culture and recreation	1,483,754	-	141,011	-
Community and economic development	3,435,207	50,725	-	-
General government	1,102,247	125,200	10,326	-
Debt service	8,192,483	-	18,478	-
Capital projects	42,689	-	-	27,232
Total governmental activities	20,834,470	1,214,376	1,706,368	27,232
Business type activities:				
Water	4,222,451	4,268,828	-	-
Sewer	4,396,321	3,937,834	-	-
Garbage	495,786	521,538	-	-
Water deposits	53,409	51,000	-	-
Storm water	353,671	663,044	-	-
Recycling	151,552	159,096	-	-
Total business type activities	9,673,190	9,601,340	-	-
Total	\$30,507,660	\$10,815,716	\$1,706,368	\$ 27,232

General receipts and transfers:

Property and other city tax levied for:
 General purposes
 Employee benefits
 Debt service
 Special assessments
 Tax increment financing
 Hotel/motel tax
 Grants and contributions not restricted
 to specific purpose
 Unrestricted interest on investments
 Payment of refunded bonds
 Miscellaneous
 Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

Expendable:

Debt service
 Streets
 Urban renewal
 Other purposes

Unrestricted

Total cash basis net position

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
\$ (3,920,064)	\$ -	\$ (3,920,064)
(82,831)	-	(82,831)
(191)	-	(191)
(1,342,743)	-	(1,342,743)
(3,384,482)	-	(3,384,482)
(966,721)	-	(966,721)
(8,174,005)	-	(8,174,005)
(15,457)	-	(15,457)
(17,886,494)	-	(17,886,494)
-	46,377	46,377
-	(458,487)	(458,487)
-	25,752	25,752
-	(2,409)	(2,409)
-	309,373	309,373
-	7,544	7,544
-	(71,850)	(71,850)
(17,886,494)	(71,850)	(17,958,344)
4,305,016	-	4,305,016
346,294	-	346,294
319,262	-	319,262
181,315	4,279	185,594
10,340,559	-	10,340,559
943,595	-	943,595
1,912,885	-	1,912,885
31,193	3,494	34,687
(4,390,000)	-	(4,390,000)
277,377	73,704	351,081
591,230	(591,230)	-
14,858,726	(509,753)	14,348,973
(3,027,768)	(581,603)	(3,609,371)
17,569,804	12,321,490	29,891,294
\$ 14,542,036	\$11,739,887	\$ 26,281,923
\$ 4,930,858	\$ 1,078,789	\$ 6,009,647
464,317	-	464,317
4,908,369	-	4,908,369
62,562	-	62,562
4,175,930	10,661,098	14,837,028
\$ 14,542,036	\$11,739,887	\$ 26,281,923

CITY OF ALTOONA

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2014

	Special Revenue		
	General	Road Use Tax	Tax Increment Financing
Receipts:			
Property tax	\$ 4,305,016	\$ -	\$ -
Tax increment financing	-	-	10,340,559
Other City tax: hotel/motel	943,595	-	-
Lottery revenue	912,885	-	-
Licenses and permits	586,912	-	-
Uses of money and property	31,193	-	10,326
Intergovernmental	212,491	1,451,973	-
Prairie Meadows grant	-	-	1,000,000
Charges for service	627,464	-	-
Special assessments	7,125	-	-
Miscellaneous	175,762	-	92,840
Total receipts	7,802,443	1,451,973	11,443,725
Disbursements:			
Operating:			
Public safety	4,861,905	-	-
Public works	-	1,520,650	-
Health and social services	191	-	-
Culture and recreation	1,418,876	-	-
Community and economic development	1,002,332	-	2,193,139
General government	1,096,990	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	8,380,294	1,520,650	2,193,139
Excess (deficiency) of receipts over (under) disbursements	(577,851)	(68,677)	9,250,586
Other financing sources (uses):			
Payment of refunded bonds	-	-	-
Operating transfers in	1,103,605	-	-
Operating transfers out	(127,000)	-	(8,673,227)
Total other financing sources (uses)	976,605	-	(8,673,227)
Change in cash balances	398,754	(68,677)	577,359
Cash balances beginning of year	3,446,354	122,019	4,330,990
Cash balances end of year	\$ 3,845,108	\$ 53,342	\$ 4,908,349
Cash Basis Fund Balances			
Restricted for:			
Debt service	\$ -	\$ -	\$ -
Urban renewal projects	-	-	4,908,349
Streets	-	53,342	-
Other purposes	-	-	-
Capital project funds	-	-	-
Unassigned	3,845,108	-	-
Total cash basis fund balances	\$ 3,845,108	\$ 53,342	\$ 4,908,349

See notes to financial statements.

Debt Service			
Bass Pro Shop Reserve	Debt Service	Nonmajor	Total
\$ -	\$ 319,262	\$ 346,294	\$ 4,970,572
-	-	-	10,340,559
-	-	-	943,595
-	-	-	912,885
-	-	-	586,912
10,453	8,025	151	60,148
-	-	15,968	1,680,432
-	-	-	1,000,000
-	-	-	627,464
-	174,190	-	181,315
-	-	32,988	301,590
10,453	501,477	395,401	21,605,472
-	-	76,904	4,938,809
-	-	-	1,520,650
-	-	-	191
-	-	58,211	1,477,087
-	-	239,736	3,435,207
-	-	5,257	1,102,247
-	8,192,483	-	8,192,483
-	-	42,689	42,689
-	8,192,483	422,797	20,709,363
10,453	(7,691,006)	(27,396)	896,109
-	(4,390,000)	-	(4,390,000)
-	8,160,852	-	9,264,457
-	-	-	(8,800,227)
-	3,770,852	-	(3,925,770)
10,453	(3,920,154)	(27,396)	(3,029,661)
4,418,167	4,422,392	898,375	17,638,297
\$ 4,428,620	\$ 502,238	\$ 870,979	\$ 14,608,636
\$ 4,428,620	\$ 502,238	\$ -	\$ 4,930,858
-	-	-	4,913,605
-	-	-	53,342
-	-	410,975	410,975
-	-	454,032	454,032
-	-	5,972	3,845,824
\$ 4,428,620	\$ 502,238	\$ 870,979	\$ 14,608,636

CITY OF ALTOONA

Reconciliation of the Statement of Cash Receipts,
Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Governmental Funds

As of and for the year ended June 30, 2014

Total governmental funds cash balances (pages 18-19) \$ 14,608,636

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's equipment purchases to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

(66,600)

Cash basis net position of governmental activities (pages 16-17) \$ 14,542,036

Net change in cash balances (pages 18-19) (3,029,661)

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of equipment replacement to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with government activities in the Cash Basis Statement of Activities and Net Position.

1,893

Change in cash basis net position of governmental activities (pages 16-17) \$ (3,027,768)

See notes to financial statements.

City of Altoona

CITY OF ALTOONA

Statement of Cash Receipts, Disbursements and Changes in Cash Balances *Proprietary Funds*

As of and for the year ended June 30, 2014

	Enterprise			
	Water	Sewer	Water Deposits	Garbage
Operating receipts:				
Charges for service	\$4,268,828	\$3,937,834	\$ 51,000	\$521,538
Total operating receipts	4,268,828	3,937,834	51,000	521,538
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Business type activities:	1,254,640	2,217,709	53,409	495,786
Total operating disbursements	1,254,640	2,217,709	53,409	495,786
Excess (deficiency) of operating receipts over (under) operating disbursements	3,014,188	1,720,125	(2,409)	25,752
Non-operating receipts (disbursements):				
Special assessments	4,279	-	-	-
Interest on investments	1,132	2,362	-	-
Miscellaneous	70,728	2,976	-	-
Debt service	(293,488)	(134,600)	-	-
Capital projects	(2,646,323)	(2,011,087)	-	-
Net non-operating receipts (disbursements)	(2,863,672)	(2,140,349)	-	-
Excess (deficiency) of receipts over (under) disbursements	150,516	(420,224)	(2,409)	25,752
Transfers:				
Operating transfers in	225,767	-	-	-
Operating transfers (out)	(325,444)	(499,412)	-	-
Net transfers	(99,677)	(499,412)	-	-
Change in cash balances	50,839	(919,636)	(2,409)	25,752
Cash balances beginning of year	5,283,131	6,419,668	103,468	154,293
Cash balances end of year	\$5,333,970	\$5,500,032	\$101,059	\$180,045
Cash Basis Fund Balances				
Restricted for debt service	\$ 521,518	\$ 557,271	\$ -	\$ -
Unrestricted	4,812,452	4,942,761	101,059	180,045
Total cash basis fund balances	\$5,333,970	\$5,500,032	\$101,059	\$180,045

See notes to financial statements.

Storm Water	Recycling	Total	Internal Service Equipment Replacement
\$ 663,044	\$ 159,096	\$9,601,340	\$ -
663,044	159,096	9,601,340	-
-	-	-	88,167
-	-	-	30,273
-	-	-	6,667
350,328	151,552	4,523,424	64,268
350,328	151,552	4,523,424	189,375
312,716	7,544	5,077,916	(189,375)
-	-	4,279	-
-	-	3,494	-
-	-	73,704	-
-	-	(428,088)	-
-	-	(4,657,410)	-
-	-	(5,004,021)	-
312,716	7,544	73,895	(189,375)
-	-	225,767	190,343
(55,484)	-	(880,340)	-
(55,484)	-	(654,573)	190,343
257,232	7,544	(580,678)	968
233,905	45,558	12,240,023	12,974
\$ 491,137	\$ 53,102	\$11,659,345	\$ 13,942
\$ -	\$ -	\$ 1,078,789	\$ -
491,137	53,102	10,580,556	13,942
\$ 491,137	\$ 53,102	\$11,659,345	\$ 13,942

CITY OF ALTOONA

Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Proprietary Funds

As of and for the year ended June 30, 2014

Total enterprise funds cash balances (pages 22-23) \$11,659,345

***Amounts reported for business type activities in the Statement of
Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's equipment purchases to individual funds. A portion of the cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.

80,542

Cash basis net position of business type activities (pages 16-17)

\$11,739,887

Net change in cash balances (pages 22-23)

\$ (580,678)

***Amounts reported for business type activities in the Cash Basis Statement
of Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the equipment purchases to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

(925)

Change in cash basis net position of business type activities (pages 16-17)

\$ (581,603)

See notes to financial statements.

CITY OF ALTOONA

Notes to Financial Statements

June 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Altoona is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1876 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, garbage, storm water, and recycling utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Altoona has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Altoona has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations & 28E Agreements

The City participates in several 28E and jointly governed organizations that provide goods or services to the citizenry of the City but do not meet criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of 28E organizations and of the following boards and commissions; The Safety Coalition of Central Iowa Communities, Polk County Aviation Authority, HAZ-MAT Services, building inspection for the Cities of Mitchellville, Iowa and Bondurant, Iowa, Urban Standard Specifications, Snow Removal for various locations, Convention and Visitors Bureau, Des Moines Water Works, Iowa Tobacco Enforcement Compliance, Homeland Security Services, BRAVO, Polk County MTA, Metro Area Fire Mutual Aid, Metro Home Improvement Program, Suburban Emergency Response Team, Urban Design Standards, Central Iowa Traffic Safety Task Force, Polk County Emergency Management Commission, Polk County Assessor's Conference Board, Principal Park, Iowa DOT, SEP School District, Intergovernmental Metro Design Policy, Metro Solid Waste, and Fair Play Agreement.

Joint Ventures

The City also participates in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA). The WRA, a joint venture, was developed as a result of an agreement between the City of Des Moines and surrounding municipalities. (See Note 4)

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of the interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Continued

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise, Water Deposits Fund accounts for water utility deposits by residents.

The Enterprise, Garbage Fund accounts for the operation and maintenance of the City's residential garbage collection system.

The Enterprise, Storm Water Fund accounts for the operation and maintenance of the City's storm water systems.

The Enterprise, Recycling Fund accounts for the operation and maintenance of the City's residential garbage and yard waste recycling system.

The City also reports the following additional proprietary fund:

The equipment replacement fund is an Internal Service Fund utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus and Basis of Accounting - Continued

statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

F. Property Taxes

All City property taxes must be certified to the Polk County Auditor on or before the fifteenth day of March of each year for the upcoming fiscal year which runs from July 1 to June 30. Property taxes are levied in June and attached as an enforceable lien on the property on July 1.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Property Taxes - Continued

Property taxes levied for the year ending June 30, 2014, attached as an enforceable lien on July 1, 2013, with the first half installment being delinquent after September 30, 2013 and the second half installment being delinquent after March 31, 2014.

(2) CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
U.S. Treasury bill	\$1,199,832	\$1,199,832	Sept 18, 2014
U.S. Treasury bill	1,399,788	1,399,788	Nov 13, 2014
U.S. Treasury bill	5,499,326	5,499,326	Sept 04, 2014
U.S. Treasury bill	5,199,302	5,199,302	Sept 25, 2014
U.S. Treasury bill	1,999,595	1,999,595	Oct 23, 2014
U.S. Treasury bill	899,822	899,822	Oct 30, 2104
U.S. Treasury bill	599,909	599,909	Nov 20, 2014
U.S. Treasury bill	<u>1,599,596</u>	<u>1,599,596</u>	Dec 18, 2014
Total	<u>\$18,397,170</u>	<u>\$18,397,170</u>	

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2014

(2) CASH AND POOLED INVESTMENTS - CONTINUED

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,064,727 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk - The City's investment in the Iowa Public Agency Investment Trust is unrated. The City's investment in U.S. Treasury bills is rated AA+ by Standard & Poor and Aaa by Moody's Investors Service.

(3) BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

	Balance June30,2013	Issued	Redeemed	Balance June 30, 2014
General obligations bonds	\$37,165,000	\$ -	\$7,040,000	\$30,125,000
Revenue bonds	60,120,000	-	1,200,000	58,920,000
Fire Truck capital lease	221,131	-	70,645	150,486
Total	<u>\$97,506,131</u>	<u>\$ -</u>	<u>\$8,310,645</u>	<u>\$89,195,486</u>

Interest rates range from .60% to 6.50% on the general obligation bonds. The revenue bond interest rates are from 2.25% to 6.375. The City paid \$4,778,062 interest on debt obligations for the year ended June 30, 2014.

Debt service requirements for general obligation bonds and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 3,185,000	\$1,161,323	\$ 1,205,000	\$ 3,629,338	\$ 4,390,000	\$ 4,790,661
2016	3,285,000	1,064,085	1,200,000	3,372,573	4,485,000	4,436,658
2017	3,375,000	960,242	1,220,000	3,315,323	4,595,000	4,275,565
2018	3,960,000	844,391	700,000	3,258,833	4,660,000	4,103,224
2019	2,945,000	698,735	305,000	3,223,833	3,250,000	3,922,568
2020-2024	8,530,000	2,118,627	3,615,000	15,789,385	12,145,000	17,908,012
2025-2029	4,655,000	703,976	8,395,000	14,160,565	13,050,000	14,864,541
2030-2034	190,000	7,600	12,540,000	11,633,200	12,730,000	11,640,800
2035-2039	-	-	14,590,000	8,922,000	14,590,000	8,922,000
2040-2043	-	-	15,150,000	363,600	15,150,000	363,600
	<u>\$30,125,000</u>	<u>\$7,558,979</u>	<u>\$58,920,000</u>	<u>\$67,668,650</u>	<u>\$89,045,000</u>	<u>\$75,227,629</u>

The resolutions providing for the issuance of the water revenue bonds include the following provisions:

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2014

(3) BONDS AND NOTES PAYABLE - CONTINUED

- B. The City covenants to establish and maintain a Water Revenue Bond Sinking Fund in an amount equal to the maximum principal and interest coming due on all outstanding parity bonds in any succeeding fiscal year.
- C. The City covenants to establish a Water Revenue Debt Service Reserve Fund in an amount equal to the maximum principal and interest due on any one year. The amount required to be reserved is approximately \$321,838 at June 30, 2014. The actual amount reserved was \$421,754.
- D. The City covenants to maintain a Water Revenue Bond Improvement Fund with an initial deposit of \$40,000. Additional funds of not less than \$750 each month will be deposited until the Fund equals or exceeds \$50,000. This account is restricted solely for the use of paying principal or interest on the Water Revenue Bonds when there is insufficient money in the Sinking Fund or Reserve Fund, and to the extent not required for the foregoing, to pay for extraordinary costs not included in the annual budget.

The resolutions providing for the issuance of the Series 2008 Annual Appropriation Urban Renewal Tax Increment Revenue Bonds include the following provisions. If appropriated by the City, TIF revenues in the Urban Renewal Tax Revenue Fund shall be transferred for deposit in the Bond Fund and the Reserve Fund.

- A. Any funds deposited in the Bond Fund (when appropriated by the City Council) shall be used solely and only and are pledged to pay the principal and interest on the Series 2008 Bonds when due, whether at maturity or an optional or mandatory redemption.
- B. Reserve Fund. The Resolution establishes a separate and special fund known as the Principal and Interest Reserve Fund (the "Reserve Fund"). There shall be deposited into the Reserve Fund on the date of delivery of the Series 2008 Bonds an amount which, together with the existing balance in the Reserve Fund, will be equal to the lesser of (i) the maximum amount of principal of and interest on the Series 2008 Bonds due during any fiscal year, (ii) 125% of the average annual debt service on the Series 2008 Bonds (calculated on a fiscal year basis), or (iii) 10% of the original principal amount of the Series 2008 Bonds (the "Required Reserve Fund Balance"). Subject to the City's right of nonappropriation, the City shall maintain the Reserve Fund in an amount equal to the Required Reserve Fund Balance. Any funds on deposit in the Reserve Fund shall be used solely and only and are pledged to pay principal of or interest on the Series 2008 Bonds when due (in the case of the Series 2008 Bonds, to the extent that the City has appropriated amounts for such payments) whenever there is a shortage of amounts on deposit in the Urban Renewal Revenue Fund and, in the case of the Series 2008 Bonds, the Bond Fund for such purpose. The Reserve Fund shall be valued annually by the City on October 31. If a shortage occurs in the amount on deposit in the Reserve Fund, either because of a transfer there from or a valuation thereof, subject to the City's right of nonappropriation the amount on deposit in the Reserve Fund shall be restored to the Required Reserve Fund Balance as soon as possible from amounts appropriated therefore by the City. Balance in the reserve fund at June 30, 2014 was \$4,428,620.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2014

(3) BONDS AND NOTES PAYABLE - CONTINUED

The Sewer Revenue Bonds, Series 2011B, covenants to establish and maintain a principal and interest reserve fund (the "Reserve Fund") in a sum equal to the lesser of: 1) the maximum amount of principal and interest becoming due on the Bonds in any succeeding fiscal year, 2) 125% of the average amount of principal and interest becoming due on the Bonds in any succeeding fiscal year; or 3) 10% of the principal amount of the Bonds. Upon the issuance of the Bonds, the City deposited \$136,600, using cash on hand, to fully fund the Reserve Fund requirement at \$136,600, which represents the maximum amount of principal and interest becoming due on the Bonds. Balance in the reserve account at June 30, 2014 was \$551,323.

Crossover Refunding

On January 22, 2013, the City issued \$3,945,000 in general obligation refunding bonds, series 2013B at a 2% interest rate. The City issued the bonds for a crossover refunding on June 1, 2014, of the outstanding general obligation urban renewal corporate purpose bonds, series 2006B dated June 1, 2006. Proceeds of the bonds were applied toward the expense of the refunding and to establish an escrow account to provide for future debt service at their callable dates. This resulted in an economic gain (difference between the present values of these debt service payments on the old and new debt) of approximately \$430,000.

Prairie Meadows Agreement

The City has entered into a grant agreement with Prairie Meadows Racetrack and Casino, Inc. (PMRC). Under the agreement PMRC agrees to make a series of eight annual \$500,000 grants to the City. The grant funds are to be used to assist the City in payment of principal and interest on the Series 2008 Urban Renewal Tax Increment Revenue Bonds. PMRC also will consider annually making additional supplemental grants not to exceed \$500,000. The agreement calls for a termination of the grant payments if PMRC constructs a new hotel facility with certain taxable property valuations within the eight year agreement period. The City received \$1,000,000 under the agreement during the year ended June 30, 2014.

Development Rebate Agreements

The City has entered into a number of Tax Increment Financing (TIF) rebate agreements requiring repayment to the developers from TIF receipts. The rebate service requirements, if appropriated by the City, are as follows:

Year ending June 30	
2014	\$ 1,772,854
2015	1,953,967
2016	1,200,918
2017	915,856
2018	947,265
2019-2023	3,152,899
2024	<u>506,022</u>
	<u>\$ 10,449,781</u>

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2014

(3) BONDS AND NOTES PAYABLE - CONTINUED

Capital Lease

A capital lease with Republic First National Corporation for the purchase of a fire truck was taken out for \$360,695 on December 30, 2010 with annual payments of \$80,105 at a 3.3% interest rate. The lease will mature on April 1, 2016. At June 30, 2014, the present value of future minimum capital lease payments are as follows:

	<u>June 30</u>	
	2015	\$ 80,105
	2016	<u>80,105</u>
Total minimum lease payments		160,210
Less amounts representing interest		<u>9,724</u>
Present value of net minimum capital lease payments		<u>\$ 150,486</u>

(4) JOINT VENTURE AND COMMITMENTS

The City is a participating community in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) joint venture. This joint venture provides primary and secondary treatment of sewer flows for the participating communities. The Amended and Restated Agreement for the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) was effective on July 1, 2004. This agreement amended and restated the previous Integrated Community Area (I.C.A.) Agreement to provide continued operation, improvements and expansion. The WRA Agreement establishes the WRA as a separate legal entity with its own Board, creates an independent governance structure, establishes an independent bonding authority for the WRA and provides a framework for additional communities to participate.

Annually, the WRA establishes an allocation to all participating communities based on operations, maintenance, debt service and reserve requirements. Allocations are based on wastewater reclamation facility flows and are adjusted prospectively for differences in budgeted flows and actual flows.

The City of Altoona retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation. Although the debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the communities were a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2004A, 2004B, 2006 and the 2008 and 2009 State Revolving Loan Funds include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2014

(4) JOINT VENTURE AND COMMITMENTS - CONTINUED

The WRA Sewer Revenue Bonds Series 2004B/2013 and 2006 bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2014, the Series 2004B/2013 bonds had a balance of \$55,880,000 and the City of Altoona's estimated future allocation based on the WRA flows is currently \$3,410,038, or 6.11%. As of June 30, 2014, the Series 2006 bonds had a balance of \$33,275,000 and the City of Altoona's estimated future allocation based on the WRA Flows is currently \$2,133,793 or 6.41%. The State Revolving Loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2014 the state revolving loans had a balance of \$249,324,590 and the City of Altoona's estimated future allocation based on the WRA flows is currently \$14,610,084 or 5.86%. The pre 2004 state revolving loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2014 the WRA had \$3,506,000 in outstanding pre 2004 State Revolving Loans, of which \$-0- of future principal debt service is a commitment of the City of Altoona.

The WRA Agreement does not provide for the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation will be paid. Pursuant to the new agreement, the City's investment in the joint venture under the I.C.A. Agreement has been contributed to the new WRA organization. The City retains a reversionary interest percentage in the net assets of the WRA redeemable only in the event the WRA is dissolved. During the year ended June 30, 2014, the City paid the WRA \$1,662,086 for operations, maintenance, equipment replacements and debt service payments.

The WRA issues separate financial statements that may be obtained at 3000 Vandalia Road, Des Moines, Iowa 50317-1346.

(5) PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$521,445, \$488,200, and \$444,174, respectively, equal to the required contributions for each year.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2014

(6) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 75 active and 4 retired members in the plan.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy

The contribution requirements of Plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and Plan members are \$686 - PPO and \$534 - HSA for single coverage. Family coverage is \$1,663 - PPO and \$1,052 - HSA. The same monthly premiums apply to retirees. For the year ended June 30, 2014 the City contributed \$1,014,386 and Plan members eligible for benefits contributed \$101,438 to the Plan.

Early Retirement Program - Beginning in 2011 the City offered an early retirement opportunity to certain employees. The early retirement opportunity was to last 1 year, however, the City Council extended it two times to end June 30, 2013. There have been no subsequent extensions beyond that time. The early retiree is eligible to have the City pay for their health insurance for five years or until the retiree is eligible for medicare whichever occurs first.

To be eligible for this program the employee must be eligible to draw their IPERS funds. In addition to that the employee must submit a written application for early retirement acknowledging that the employee voluntarily left employment and agrees to waive all rights to file suit against the City. Four employees were offered single medical insurance paid by the City if they retired by June 30, 2013. Total paid for this insurance in the year ending June 30, 2014 was \$51,993.

(7) SEVERANCE AGREEMENT

Effective July 1, 2014, the City entered into a 3 year agreement with the City Administrator which formally identifies the financial obligation of the City to its City Administrator in the event of an involuntary employment termination. The agreement provides for a termination payment equal to six months of compensation plus paid health (single and family) insurance for the same period, as well as payment for all accrued but unused vacation and sick time at termination.

(8) COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and compensation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for these earned vacation and sick leave termination payments payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2014

(8) COMPENSATED ABSENCES - CONTINUED

Type of Benefit	Amount
Vacation	\$ 388,505
Sick leave	<u>1,004,734</u>
Total	<u>\$1,393,239</u>

This liability has been computed based on rates of pay as of June 30, 2014.

(9) INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General Fund	Enterprise:	
	Water Fund	\$ 297,444
	Sewer Fund	467,412
	Storm Water	52,141
	Special Revenue:	
	Tax Increment Financing	286,608
Debt Service Fund	Special Revenue:	
	Tax Increment Financing	8,160,852
Enterprise:		
Water	Tax Increment Financing	225,767
Internal Service:		
Equipment Replacement	General Fund:	127,000
	Enterprise:	
	Water	28,000
	Sewer	32,000
	Storm Water	<u>3,343</u>
Total		<u>\$ 9,680,567</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(10) RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability,

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2014

(10) RISK MANAGEMENT - CONTINUED

automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2014 were \$184,830.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2014

(10) RISK MANAGEMENT - CONTINUED

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation in the amount of \$1,000,000. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan as allowed by Internal Revenue Code Section 457. The plan allows City employees to defer a portion of their current salary until future years. These funds are held in trust for participating employees by a third party investor.

(12) CONSTRUCTION CONTRACTS

At June 30, 2014, the City had entered into construction contracts of approximately \$3,150,000 for various projects. At June 30, 2014 these projects will require future payments of approximately \$528,000 upon completion.

(13) REVENUE RESERVE BALANCES

Revenue reserve balances are not available for general operating use. They are included with their respective water or sewer cash balances on Exhibit D. Cash balances at end of year are summarized as follows:

	Water	Sewer	Deposits	Garbage	Storm Water	Recycling	Total
General operation	\$4,812,452	\$4,942,761	\$101,059	\$180,045	\$491,137	\$53,102	\$10,580,556
Sinking fund	99,764	5,948	-	-	-	-	105,712
Revenue reserve fund	421,754	551,323	-	-	-	-	973,077
	<u>\$5,333,970</u>	<u>\$5,500,032</u>	<u>\$101,059</u>	<u>\$180,045</u>	<u>\$491,137</u>	<u>\$53,102</u>	<u>\$11,659,345</u>

(14) LITIGATION

The City may be subject to legal proceedings and claims in the ordinary course of business. In the opinion of the City and its legal counsel, the ultimate outcome of the claims and litigation, if any, will not have a material adverse effect on the City's financial position.

(15) SUBSEQUENT EVENTS

The City has evaluated all subsequent events through November 7, 2014, the date the financial statements were available to be issued.

In August 2014, the City authorized issuance of \$4,545,000 General Obligation Refunding Bonds, Series 2014 and repayment of outstanding bonds.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2014

(16) PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

City of Altoona

Other Information

CITY OF ALTOONA

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds Other Information Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to Be Budgeted	Total
Receipts:				
Property tax	\$ 4,970,572	\$ -	\$ -	\$ 4,970,572
Tax increment financing collections	10,340,559	-	-	10,340,559
Other City tax	943,595	-	-	943,595
Licenses and permits	586,912	-	-	586,912
Uses of money and property	60,148	3,494	-	63,642
Intergovernmental	2,680,432	-	-	2,680,432
Charges for service	627,464	9,601,340	-	10,228,804
Special assessments	181,315	-	-	181,315
Miscellaneous	1,214,475	84,477	-	1,298,952
Total receipts	21,605,472	9,689,311	-	31,294,783
Disbursements:				
Public safety	4,938,809	88,167	88,167	4,938,809
Public works	1,520,650	30,273	30,273	1,520,650
Health and social services	191	-	-	191
Culture and recreation	1,477,087	-	-	1,477,087
Community and economic development	3,435,207	-	-	3,435,207
General government	1,102,247	6,667	6,667	1,102,247
Debt service	8,192,483	-	-	8,192,483
Capital projects	42,689	-	-	42,689
Business type activities	-	10,217,857	64,268	10,153,589
Total disbursements	20,709,363	10,342,964	189,375	30,862,952
Excess (deficiency) of receipts over (under) disbursements	896,109	(653,653)	(189,375)	431,831
Other financing sources (uses), net	(3,925,770)	73,943	190,343	(4,042,170)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing sources (uses)	(3,029,661)	(579,710)	968	(3,610,339)
Balances beginning of year	17,638,297	12,252,997	12,974	29,878,320
Balances end of year	\$14,608,636	\$11,673,287	\$ 13,942	\$26,267,981

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 4,875,179	\$ 4,875,179	\$ 95,393
10,253,764	10,453,764	(113,205)
825,850	975,850	(32,255)
328,500	557,500	29,412
70,917	70,917	(7,275)
2,058,372	2,658,372	22,060
9,289,274	9,915,274	313,530
-	175,000	6,315
997,000	1,197,000	101,952
28,698,856	30,878,856	415,927
4,841,037	5,075,398	136,589
1,484,819	1,542,819	22,169
2,000	2,000	1,809
1,792,903	1,897,228	420,141
3,549,504	4,660,299	1,225,092
1,076,341	1,128,424	26,177
12,582,486	12,602,486	4,410,003
880,443	980,443	937,754
10,760,501	11,470,501	1,316,912
36,970,034	39,359,598	8,496,646
(8,271,178)	(8,480,742)	8,912,573
3,925,000	3,925,000	(7,967,170)
(4,346,178)	(4,555,742)	945,403
22,084,355	22,084,355	7,793,965
<u>\$ 17,738,177</u>	<u>\$ 17,528,613</u>	<u>\$ 8,739,368</u>

CITY OF ALTOONA

Required Supplemental Information

Notes To Required Supplementary Information - Budgetary Reporting

June 30, 2014

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital project funds and enterprise funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, a budget amendment increased budgeted disbursements by \$2,389,564. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, no disbursements exceeded the amounts budgeted.

Supplementary Information

CITY OF ALTOONA

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances Nonmajor Governmental Funds

As of and for the year ended June 30, 2014

	Special Revenue		Capital	
	Employee Benefits	Drug Enforcement Agency	Rail Spur	Streets
Receipts:				
Property tax	\$346,294	\$ -	\$ -	\$ -
Use of money and property	-	151	-	-
Intergovernmental	-	15,968	-	-
Miscellaneous	-	5,756	27,232	-
Total receipts	346,294	21,875	27,232	-
Disbursements:				
Operating:				
Public safety	43,090	33,814	-	-
Culture and recreation	58,211	-	-	-
Community and economic development	239,736	-	-	-
General government	5,257	-	-	-
Capital projects	-	-	-	16,740
Total disbursements	346,294	33,814	-	16,740
Excess (deficiency) of receipts over (under) disbursements	-	(11,939)	27,232	(16,740)
Other financing (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(141,892)	(415,742)
Total other financing (uses)	-	-	(141,892)	(415,742)
Change in cash balances	-	(11,939)	(114,660)	(432,482)
Cash balances beginning of year	-	74,501	114,660	432,482
Cash balances end of year	\$ -	\$62,562	\$ -	\$ -
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -	\$ -	\$ -	\$ -
Other purposes	-	62,562	-	-
Capital project funds	-	-	-	-
Total cash basis fund balances	\$ -	\$62,562	\$ -	\$ -

See accompanying independent auditor's reports.

Projects				
NE Rise Project	Recreation Complex	Water	Intrafund Transfers Elimination	Total
\$ -	\$ -	\$ -	\$ -	\$ 346,294
-	-	-	-	151
-	-	-	-	15,968
-	-	-	-	32,988
-	-	-	-	395,401
-	-	-	-	76,904
-	-	-	-	58,211
-	-	-	-	239,736
-	-	-	-	5,257
23,894	2,055	-	-	42,689
23,894	2,055	-	-	422,797
(23,894)	(2,055)	-	-	(27,396)
415,742	141,892	-	(557,634)	-
-	-	-	557,634	-
415,742	141,892	-	-	-
391,848	139,837	-	-	(27,396)
19,127	251,633	5,972	-	898,375
\$ 410,975	\$ 391,470	\$ 5,972	-	\$ 870,979
\$ 410,975	\$ -	\$ -	-	\$ 410,975
-	391,470	-	-	454,032
-	-	5,972	-	5,972
\$ 410,975	\$ 391,470	\$ 5,972	\$ -	\$ 870,979

CITY OF ALTOONA

Schedule of Indebtedness

Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Urban renewal/corporate purpose Series 2006B	Jun 1, 2006	4.25	7,145,000
Urban renewal/corporate purpose Series 2007A	May 1, 2007	3.70 - 3.95	5,600,000
Urban renewal/corporate purpose Series 2007B	Oct 1, 2007	3.70 - 4.00	2,355,000
Urban renewal/corporate purpose taxable Series 2009A (BAB)	Jun 9, 2009	4.20 - 6.50	5,295,000
Urban renewal/corporate purpose Series 2009D	Aug 17, 2009	2.50 - 4.50	5,400,000
Urban renewal/refunding:			
Series 2010A	Mar 11, 2010	2.00 - 3.00	4,335,000
Series 2010B	Jul 12, 2010	3.00 - 4.00	3,565,000
Corporate purpose Series 2011A	Jul 5, 2011	1.10 - 2.60	1,035,000
Refunding bonds, Series 2012A	Apr 16, 2012	.60 - 2.00	2,425,000
Refunding bonds, Series 2013A	Jan 22, 2013	2.00	4,585,000
Refunding bonds, Series 2013B	Mar 5, 2013	2.00	3,945,000
Revenue Bonds:			
Water taxable Series 2009C (BAB)	Jun 17, 2009	4.30 - 6.375	3,750,000
Urban renewal tax Increment Series 2008	Jul 1, 2008	5.00 - 6.00	56,470,000
Sewer Series 2011B	Jul 5, 2011	2.25 - 3.40	1,500,000
Total			
Capital Lease:			
Fire Truck	Dec 30, 2010	3.30	360,695

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 4,390,000	\$ -	\$4,390,000	\$ -	\$ 188,135
3,775,000	-	350,000	3,425,000	144,180
1,745,000	-	140,000	1,605,000	67,125
4,995,000	-	240,000	4,755,000	277,500
5,000,000	-	230,000	4,770,000	190,178
3,045,000	-	465,000	2,580,000	73,978
2,600,000	-	100,000	2,500,000	89,457
835,000	-	100,000	735,000	15,040
2,250,000	-	190,000	2,060,000	28,035
4,585,000	-	765,000	3,820,000	113,607
3,945,000	-	70,000	3,875,000	97,748
37,165,000	-	7,040,000	30,125,000	1,284,983
3,350,000	-	100,000	3,250,000	193,488
55,470,000	-	1,000,000	54,470,000	3,257,500
1,300,000	-	100,000	1,200,000	34,600
60,120,000	-	1,200,000	58,920,000	3,485,588
\$ 97,285,000	\$ -	\$8,240,000	\$89,045,000	\$ 4,770,571
\$ 221,131	\$ -	\$ 70,645	\$ 150,486	\$ 9,460

CITY OF ALTOONA

Bond Maturities

June 30, 2014

Year Ending June 30,	Urban Renewal Corporate Purpose Series 2007A		Urban Renewal Corporate Purpose Series 2007B		Urban Renewal Corporate Purpose Series 2009A	
	Issued May 1, 2007		Issued October 1, 2007		Issued June 9, 2009	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2015	3.70%	\$ 365,000	3.70%	\$ 145,000	4.20%	\$ 245,000
2016	3.75	380,000	3.70	155,000	4.60	255,000
2017	3.80	400,000	3.75	160,000	5.00	560,000
2018	3.80	415,000	3.80	170,000	5.00	780,000
2019	3.85	435,000	3.85	175,000	5.35	100,000
2020	3.90	455,000	3.90	185,000	5.60	100,000
2021	3.90	475,000	3.95	195,000	5.80	100,000
2022	3.95	500,000	4.00	205,000	5.90	325,000
2023	-	-	4.00	215,000	6.00	340,000
2024	-	-	-	-	6.10	355,000
2025	-	-	-	-	6.20	370,000
2026	-	-	-	-	6.30	390,000
2027	-	-	-	-	6.40	405,000
2028	-	-	-	-	6.50	430,000
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
Total		<u>\$ 3,425,000</u>		<u>\$ 1,605,000</u>		<u>\$ 4,755,000</u>

See accompanying independent auditor's report.

General Obligation Bonds					
Urban Renewal Corporate Purpose Series 2009D		Urban Renewal Refunding Series 2010A		Urban Renewal Corporate Purpose Series 2010B	
Issued August 17, 2009		Issued March 11, 2010		Issued July 12, 2010	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2.50%	\$ 235,000	2.00%	\$ 485,000	3.000%	\$ 100,000
2.75	250,000	2.20	495,000	3.000	105,000
3.00	260,000	2.50	515,000	3.000	105,000
3.20	275,000	2.75	535,000	3.000	360,000
3.40	100,000	3.00	550,000	3.000	125,000
3.60	100,000	-	-	3.125	125,000
3.75	300,000	-	-	3.250	130,000
3.90	320,000	-	-	3.375	135,000
4.00	340,000	-	-	3.500	140,000
4.05	365,000	-	-	3.625	150,000
4.10	390,000	-	-	3.750	155,000
4.20	415,000	-	-	3.750	160,000
4.30	440,000	-	-	3.750	165,000
4.40	475,000	-	-	3.875	175,000
4.50	505,000	-	-	4.000	180,000
-	-	-	-	4.000	190,000
	<u>\$ 4,770,000</u>		<u>\$ 2,580,000</u>		<u>\$ 2,500,000</u>

CITY OF ALTOONA

Bond Maturities - Continued

June 30, 2014

Year Ending June 30,	General Obligation Bonds					
	Corporate Purpose		Refunding		Refunding	
	Series 2011A		Bonds		Bonds	
	Series 2011A		Series 2012A		Series 2013A	
	Issued July 5, 2011		Issued April 16, 2012		Issued January 22, 2013	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2015	1.10%	\$ 100,000	.60%	\$ 200,000	2.00%	\$ 790,000
2016	1.40	100,000	.75	205,000	2.00	800,000
2017	1.70	100,000	.90	210,000	2.00	535,000
2018	2.00	105,000	1.10	220,000	2.00	550,000
2019	2.20	105,000	1.30	225,000	2.00	565,000
2020	2.40	110,000	1.50	235,000	2.00	580,000
2021	2.60	115,000	1.60	245,000	-	-
2022	-	-	1.75	255,000	-	-
2023	-	-	2.00	265,000	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
Total		<u>\$ 735,000</u>		<u>\$ 2,060,000</u>		<u>\$3,820,000</u>

See accompanying independent auditor's report.

Refunding Bonds Series 2013B Issued March 5, 2013		
Interest Rates	Amount	Total
2.00%	\$ 520,000	\$ 3,185,000
2.00	530,000	3,285,000
2.00	540,000	3,375,000
2.00	550,000	3,960,000
2.00	565,000	2,945,000
2.00	580,000	2,470,000
2.00	590,000	2,150,000
-	-	1,740,000
-	-	1,300,000
-	-	870,000
-	-	915,000
-	-	965,000
-	-	1,010,000
-	-	1,080,000
-	-	685,000
-	-	190,000
	<u>\$3,875,000</u>	<u>\$30,125,000</u>

CITY OF ALTOONA

Bond Maturities - Continued

June 30, 2014

Year Ending June 30,	Revenue Bonds			
	Water		Urban Renewal	
	Series 2009C		TIF Series 2008	
	Issued June 17, 2009		Issued July 1, 2008	
	Interest		Interest	
	Rates	Amount	Rates	Amount
2015	4.30%	\$ 105,000	5.00%	\$ 1,000,000
2016	5.00	100,000	5.00	1,000,000
2017	5.20	120,000	5.00	1,000,000
2018	5.375	200,000	5.00	400,000
2019	5.50	205,000	-	-
2020	5.50	210,000	-	-
2021	5.70	215,000	-	-
2022	5.80	220,000	-	-
2023	5.90	230,000	5.625	2,000,000
2024	6.00	240,000	-	-
2025	6.00	255,000	5.75	2,000,000
2026	6.10	265,000	-	-
2027	6.20	280,000	-	-
2028	6.30	295,000	6.00	4,790,000
2029	6.375	310,000	-	-
2030	-	-	-	-
2031	-	-	5.75	5,680,000
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	6.00	6,860,000
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	6.00	14,590,000
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-
2043	-	-	6.00	15,150,000
Total		<u>\$ 3,250,000</u>		<u>\$54,470,000</u>

See accompanying independent auditor's report.

Sewer		
Series 2011B		
Issued July 5, 2011		
Interest Rate	Amount	Total
2.25%	\$ 100,000	\$ 1,205,000
2.25	100,000	1,200,000
2.25	100,000	1,220,000
2.25	100,000	700,000
2.30	100,000	305,000
2.55	100,000	310,000
2.75	100,000	315,000
2.95	100,000	320,000
3.00	100,000	2,330,000
3.10	100,000	340,000
3.30	100,000	2,355,000
3.40	100,000	365,000
-	-	280,000
-	-	5,085,000
-	-	310,000
-	-	-
-	-	5,680,000
-	-	-
-	-	-
-	-	6,860,000
-	-	-
-	-	-
-	-	-
-	-	-
-	-	14,590,000
-	-	-
-	-	-
-	-	-
-	-	15,150,000
	<u>\$1,200,000</u>	<u>\$ 58,920,000</u>

CITY OF ALTOONA

Schedule of Receipts/Proceeds by Source and Disbursements by Function - All Governmental and Proprietary Funds

For the Last Ten Years

	Years ended June 30,				
	2014	2013	2012	2011	2010
Receipts:					
Property tax	\$ 4,970,572	\$ 5,248,224	\$ 5,021,741	\$ 4,355,302	\$ 3,950,148
Other city tax:					
Hotel/motel	943,595	830,445	585,395	542,119	565,666
Total property and other city tax	5,914,167	6,078,669	5,607,136	4,897,421	4,515,814
Lottery	912,885	923,502	914,254	913,797	879,556
Tax increment financing collections	10,340,559	8,875,295	9,851,865	9,444,161	8,765,067
Licenses and permits	586,912	635,189	614,849	539,268	308,323
Use of money and property	60,148	71,982	61,118	97,370	199,772
Intergovernmental:					
Road use tax	1,451,973	1,392,532	1,377,054	1,314,053	1,233,824
Library	58,248	59,588	77,791	82,788	88,060
State allocation	30,631	30,619	20,202	33,962	35,068
Grants	1,021,875	1,018,998	1,521,166	593,735	2,599,528
Bank franchise tax	-	-	-	-	-
Drug enforcement	15,968	28,804	13,286	30,015	67,680
Miscellaneous	101,737	261,457	52,636	61,783	21,414
Total intergovernmental	2,680,432	2,791,998	3,062,135	2,116,336	4,045,574
Charges for service	10,228,804	9,384,624	9,250,022	8,486,032	7,724,047
Special assessments	185,594	-	-	-	3,341
Bond proceeds	-	8,953,387	4,934,650	3,567,357	9,676,353
Miscellaneous	378,788	164,905	365,111	549,408	316,346
Total	<u>\$31,288,289</u>	<u>\$37,879,551</u>	<u>\$34,661,140</u>	<u>\$30,611,150</u>	<u>\$36,434,193</u>
Disbursements:					
Operating:					
Public safety	\$ 5,026,976	\$ 4,830,592	\$ 5,578,639	\$ 4,817,835	\$ 4,699,350
Public works	1,550,923	1,612,558	1,626,628	1,353,006	1,467,668
Health and social services	191	1,214	22,848	23,232	18,299
Culture and recreation	1,483,754	2,030,756	1,479,311	1,499,883	1,801,913
Community and economic development	3,435,207	4,429,525	3,510,266	2,618,273	2,603,576
General government	1,102,247	1,120,407	1,021,974	840,368	873,812
Debt service	12,582,483	12,403,506	11,020,620	8,399,930	14,246,153
Capital projects	42,689	582,340	1,229,016	3,387,919	13,491,454
Business type activities	9,673,190	9,772,155	7,862,321	5,475,995	7,855,645
Total	<u>\$34,897,660</u>	<u>\$36,783,053</u>	<u>\$33,351,623</u>	<u>\$28,416,441</u>	<u>\$47,057,870</u>

See accompanying independent auditor's report.

2009	2008	2007	2006	2005
\$ 3,778,173	\$ 3,601,632	\$ 3,325,891	\$ 3,120,958	\$ 2,997,641
563,372	599,010	490,300	503,295	526,819
4,341,545	4,200,642	3,816,191	3,624,253	3,524,460
914,162	958,685	939,293	874,863	883,267
8,001,868	6,254,969	5,997,960	4,668,981	3,822,352
246,052	318,778	452,064	628,498	618,660
730,201	575,786	281,569	315,202	147,827
1,103,581	1,139,532	1,108,570	988,327	860,477
96,104	83,362	133,823	126,913	129,285
34,696	69,005	36,713	30,178	17,555
1,352,882	-	39,873	31,540	602
-	-	-	-	2,262
347,311	106,988	50,841	81,328	41,415
31,608	35,655	444	5,960	10,393
2,966,182	1,434,542	1,370,264	1,264,246	1,061,989
7,376,049	6,859,821	6,830,501	6,145,117	5,647,020
3,043	3,230	7,468	5,965	6,321
67,260,000	4,015,000	5,600,000	15,610,000	9,975,000
481,284	293,559	101,727	231,101	548,622
\$92,320,386	\$24,915,012	\$25,397,037	\$33,368,226	\$26,235,518
\$ 4,263,900	\$ 4,193,948	\$ 3,679,699	\$ 3,218,701	\$ 2,723,329
1,336,974	1,194,285	1,308,267	1,140,280	950,001
9,325	-	-	-	-
1,989,840	2,594,010	1,721,752	1,766,112	1,589,834
3,649,078	6,841,063	1,972,798	1,833,179	1,686,510
737,102	731,258	671,264	716,705	249,959
7,530,701	4,156,070	3,290,010	4,810,661	2,385,084
44,474,141	6,450,292	9,460,450	4,406,379	6,418,797
5,120,349	7,279,771	5,880,121	7,002,715	5,289,755
\$69,111,410	\$33,440,697	\$27,984,361	\$24,894,732	\$21,293,269

City of Altoona



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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Altoona, Iowa as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 7, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Altoona's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Altoona's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Altoona's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Altoona's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-A-14, to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-B-14 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Altoona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Altoona's responses to the Findings

The City of Altoona's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Altoona's responses and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Altoona during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, LLP

West Des Moines, Iowa
November 7, 2014

CITY OF ALTOONA

Schedule of Findings

Year ended June 30, 2014

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF ALTOONA

Schedule of Findings - Continued

Year ended June 30, 2014

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- II-A-14 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the following functions are not entirely segregated: cash receipts, general ledger posting, reconciliations and investment control and custody.

Recommendation - We realize that segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Response - We will consider this.

Conclusion - Response acknowledged.

- II-B-14 Computer System Control - The design and controls established over the computer system process is very important in providing assurance and financial integrity of the City's financial records. We noted some weaknesses in the policies and controls.

Recommendation - A non-water fire suppression system should be installed. There should be a written procedures plan.

Response - We will consider these recommendations.

Conclusion - Response acknowledged. Once established, the recommended policies and procedures will add a measure of assurance to the City's financial records.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF ALTOONA

Schedule of Findings - Continued

Year ended June 30, 2014

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-14 Questionable Disbursements - We noted no expenditures for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- III-B-14 Travel Expenses - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-C-14 Business Transactions - There were no business transactions noted between the City and City officials or employees.
- III-D-14 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- III-E-14 City Council Minutes - No transactions were found that we believe should have been approved in the Council Minutes but were not.
- III-F-14 Revenue Bonds - No instances of non-compliance with the Revenue Bond and Note Resolutions were noted.
- III-G-14 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-H-14 Certified Budget - Disbursements during the year ended June 30, 2014 did not exceed the certified budget.
- III-I-14 Urban Renewal Annual Report - The urban renewal annual report was approved at the November 18, 2013 City Council meeting and submitted in PDF format to the Iowa Department of Management on November 19, 2013 and no exceptions were noted.